

Local Privilege License Taxes

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Local Privilege License Taxes

1. **What** are they?
2. **Who** can *levy* the tax and who can *be* taxed?
3. **How** is the tax calculated?

Local Privilege License Taxes

1. **What** are they?

A tax on the **privilege** of doing business within a city/county

Local Privilege License Taxes

- Revenue source, not a regulatory scheme
- Not a legal “stamp of approval” for a business
- Privilege License = receipt

Local Privilege License Taxes

2. **Who** can *levy* the tax and who can *be* taxed?

Local PLT's Since 1997

- Broad authority for cities
 - *\$54 million in 2011-12*
- Extremely limited authority for counties
 - *\$500,000 in 2011-12*

300 Cities Levy PLTs

- \$62 million collected in 2011-12
- Half collect $< \$10,000$
- 40 collect $> \$100,000$
- 18 collect $> \$500,000$

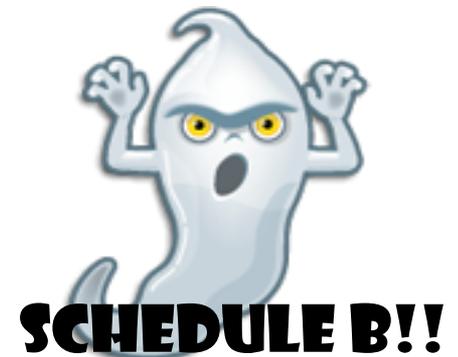
Significant Revenue Source For Some Cities

- Charlotte: \$16.9 million
- Raleigh: \$7.6 million
- Greensboro: \$3.3 million
- Winston-Salem: \$3.1 million

- High Point: \$2.3 million
- Lumberton: \$1.4 million
- Hickory: \$1.1 million

Local PLT's Since 1997

- Schedule B: Nickname for collection of privilege license tax limitations and exemptions
- 30 **repealed** statutes still control
 - No text available!



Local PLT's Since 1997

- **Municipalities**

- **Broad authority** to levy PLT's on all businesses except as limited by 30 repealed Schedule B provisions
- §160A-211



Local PLT's Since 1997

- **Counties**

- **Limited authority** to levy PLT'S on certain businesses only as permitted by 11 repealed Schedule B provisions
- §153A-152



“Schedule B”

- Auto Dealers: \$25
- Gas Stations: \$12.50
- Building Contractors: \$10
- Banks: No local PLTs
- Attorneys & Doctors: No local PLTs

“Schedule B”

- If no Schedule B cap or restriction on local PLTs,
 - Counties may **not** tax the business
 - Cities may tax the business in **any reasonable manner**

“Schedule B”

- No general caps or exemptions for city privilege license taxes on:
 - Grocery stores
 - Home improvement & department stores
 - Manufacturers & food processors
 - Software developers

City PLT Options

- Schedule B businesses:
 - Flat rate up to statutory maximum
- All other businesses:
 - Flat rate
 - Gross Receipts
 - Any other reasonable method (*# of employees*)

Gross Receipts

- No statutory guidance on how to calculate
- Apportionment problems with businesses operating in multiple cities
- Example: Landscaper
 - HQ in Durham
 - Clients in 5 different cities
 - What are the gross receipts for Durham PLTs?

Sample City PLT Provisions For Retailers

- **Gross Receipts**
 - Durham:
 - \$50 up to \$15,000, then 50¢ per \$1,000
 - No maximum tax
 - Charlotte:
 - 60¢ per \$1,000
 - \$10,000 max tax
- **Flat Fee**
 - Dunn: \$30 per retailer

How to Tax **Target?**

- Bicycles (\$25 max)
- DVDs (\$25)
- Computers, calculators (No tax)
- Ice Cream (\$2.50 max)
- Motor Oil/Auto Accessories (\$12.50 max)
- Restaurant (\$42.50)
- Barber Shop/Beauty Salon (\$2.50 per stylist)
- Vending Machines (????)
- Chain Store (\$50)
- Plus . . **Gross Receipts on all other sales**



How to Tax **Target**?

- SuperTarget store with \$50M receipts
 - Durham: \$25,000
 - Charlotte: \$10,000
 - Dunn: \$400



Gross Receipts Tax Examples

City	Rate	Maximum Tax
Durham	\$50 for first \$15,000, then \$.50 per \$1,000	None
Waxhaw	\$30 up to \$200,000, then \$.15 per \$1,000	None
Charlotte	\$.60 per \$1,000	\$10,000
Kannapolis	\$60 up to \$400,000, then \$.60 per \$1,000	\$10,000
Cary	\$100 up to \$100,000, then \$.60 per \$1,000	\$5,000
Wesley Chapel	\$15 up to \$5,000, then \$.40 per \$1,000	\$5,000
Statesville	\$155 up to \$100,000, then \$.225 per \$1,000	\$2,500
Washington	\$50 up to \$25,000, then \$.80 per \$1,000	\$1,500

Internet Sweepstakes

- Lots of litigation in 2012-13 concerning:
 - Criminal law ban on sweepstakes (GS 14-306.4)
 - PLTs on sweepstakes

Ban on Internet Sweepstakes

- December 2010: ban takes effect, injunction immediately issued
- December 2012: NC Supreme Court rejects First Amendment challenge and upholds ban

Ban on Internet Sweepstakes

- Some sweepstakes close, many tweak systems and remain open

PLTs on Internet Sweepstakes

- March 2013: NC Supreme Court strikes down Lumberton's PLTs on sweepstakes
 - \$5,000 location / \$2,500 per machine

- June 2013: NC Ct of Appeals strikes down Fayetteville's PLTS on sweepstakes
 - \$2,000 location / \$2,500 machine

PLTs on Internet Sweepstakes

- Some cities eliminate or reduce their PLTs on sweepstakes, others keep them steady